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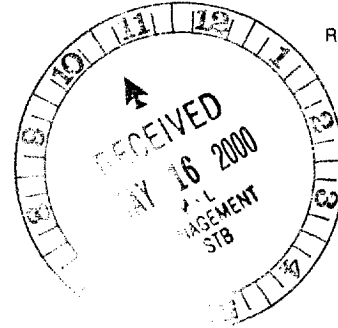
COMMONWEALTH of VIRGINIA

Office of the Attorney General
Richmond 23219

Mark L. Earley
Attorney General

May 15, 2000

900 East Main Street
Richmond, Virginia 23219
804 - 786 - 2071
804 - 371 - 8946 TDD



Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Office of the Secretary
Case Control Unit, Attn: STB Ex Parte No. 582 (Sub-No.1)
1925 K Street, N.W.
Washington, D.C. 20423-0001

RE: STB Ex Parte No. 582 (Sub-No. 1)

Dear Secretary Williams:

Please find enclosed for filing in the above-referenced proceeding an original and 25 copies of the Comments of the Commonwealth of Virginia. Also enclosed is a 3.5-inch disk containing the text of the Comments in Word Perfect 7.0 format.

Please stamp the extra copy of the foregoing and return.

Respectfully submitted,

John J. Beall, Jr.
Senior Assistant Attorney General

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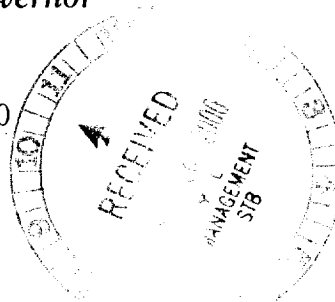
COMMONWEALTH of VIRGINIA

Office of the Governor

James S. Gilmore, III
Governor

Shirley J. Ybarra
Secretary of Transportation

May 12, 2000



Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Office of the Secretary
Case Control Unit, Attn: STB Ex Parte No. 582 (Sub – No.1)
1925 K. Street, N.W.
Washington, D.C. 20423-0001

RE: STB Ex Parte No. 582 (Sub – No. 1)

Dear Mr. Williams:

The Commonwealth of Virginia supports railroad deregulation and the enhancement of the competition. Our relations with the railroads have been cordial. Many of the issues raised concerning past mergers, which effect Virginia, have been resolved. With the advent of the potential future mergers of greater magnitude new issues will arise and many smaller issues will become magnified. These mergers and consolidations could have a major impact on Virginia's railroads, ports, businesses and overall economy.

Diversions between railroads and subsequent business decisions will result in more mergers. Rail line abandonments and discontinuances of lines will increase, not decrease. This will result in loss of service in many areas and the creation of more short lines.

The Commonwealth is concerned about the following:

PORTS AND OTHER PUBLIC FINANCED FACILITES

Facilities financed with public funds will be affected. The approval of future mergers will result in the large shifts of traffic from existing port facilities. Some of these shifts could be artificially generated in the desire to establish a longer haul. For instance one shipper has the choice of shipping on rail line "A" through one port for a thousand miles. The same shipment could be sent through another port to the same destination with the distance being 700 miles. These moves involve rail line "B" for 650 miles and rail line "A" 50 miles. This shipment could be forced to use the first rail line

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whereas it is now moving over line "B". The diversion of traffic from the Virginia Ports would have an adverse effect on service levels, the workforce, and the economy.

It is the recommendation from the Virginia Port Authority that the regulation be addressed to ensure that, at a minimum, a port with competitive rail service prior to a merger retain effective competitive service and that railroads be prohibited from granting one port undue and unreasonable preferential treatment. Another more specific suggestion be made to 49 C.F.R. 1180.1 (the regulation setting out factors in determining what is in the public interest) be amended to require consideration of the interest of ports, since ports are not currently specified in that section.

SAFETY

Nationally, railroads provide one of the safest means of transportation. The Commonwealth supports the inclusion of safety matters in merger hearings. Maintenance of facilities and equipment is an important contributor to safety. The parties proposing a merger should identify the changes in operations to state agencies responsible for grade crossings to enable analysis of these changes to be incorporated in their planning processes.

RATIONALIZATION

More lines will be abandoned or discontinued. The existing regulations concerning the sale of these lines to others should be retained.

SHORT LINES

Short lines provide a valuable service. Their concerns regarding compensation for revenue losses created by service disruptions due to Class I operational problems, noncompetitive and discriminatory rates and pricing, car supply and compensation, competitive routes and interchanges have been addressed to a certain extent. However, these concerns need to be addressed further. It would be beneficial if the carriers proposing a merger would develop with its connecting short lines a plan for their future cooperation. These short lines could perform some of the local functions for the Class I at their connections such as switching cars for businesses at remote locations which are near their interchange.

Traffic diversions should be discouraged. The practice of creating transloading facilities at the interchange to bypass a short line should not be done without consideration of the short line and the public's interest.

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OPERATIONS

Under past mergers certain functions have been consolidated. Dispatching is one such function. Some merged systems are now considering decentralizing and sharing dispatch functions. These changes are commendable and should be considered in future mergers. This will minimize the effect of widespread outages or contacts with users.

FOREIGN CONTROL

One question arises as to the amount of information that can be obtained about routes and services in connection with freight movements or contracts. This information would be needed for complaints and filings. Would existing standards apply?

PASSENGER SERVICE

The Commonwealth is negotiating with its freights railroads and Amtrak regarding improvements in rail passenger service. Capacity improvements will allow for increases in freight and passenger services. As each merger occurs some changes in requirements may be imposed. No attempt has been made to analyze this matter.

MONITORING

A standard term of post merger monitoring should be established. For a large merger the time should be more than three years. Also consideration should be given to requiring that established benchmarks be included in the application.

INFORMATION

Presently information is provided concerning diversions from other railroads or trucks. Diversions from major facilities such as ports should be specifically provided to the state for its consideration and action.

A question of whether adequate information would be available for a shipper to analyze international single line rail moves would be available.

GENERAL

The process involving joint moves could be improved by giving railroads more flexibility. This is not to impose open access. The parties should be able to agree to absorb a lesser fee in one area to obtain another concession elsewhere. This is subject to negotiations between the parties. It is to everyone's benefit to increase the use of the rail facilities.

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The Commonwealth understands that this rulemaking is a fluid process and that issues may arise which have not been addressed by the Commonwealth. As additional issues or questions may arise during the course of the proceedings the Commonwealth will continue to remain a participant in the process and reserves the right to file additional comments as its interest may require.

Thank you for this opportunity.

Sincerely,


Shirley J. Ybarra

cc: Leo J. Bevon
J. Robert Bray
Don McPherson

BEFORE THE
SURFACE TRANSPORTATION BOARD

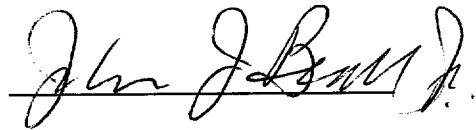
STB Docket No. 582 (Sub-No. 1)

Major Rail Consolidation Procedures

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of May 2000 that the Applicants and each Party of Record in this proceeding has been served with copies of the attached Comments submitted by the Commonwealth of Virginia, by first class mail, postage prepaid.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John J. Benj", is written over a horizontal line.

Senior Assistant Attorney General
Office of the Attorney General
900 East Main Street
Richmond, Virginia 23219
(804) 786-1582
(804) 786-9136 (fax)